

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5143-06
Bill No.: SCS for HCS for HB 1637
Subject: Banks and Financial Institutions; Business and Commerce; Secretary of State;
Revenue Department; Taxation and Revenue
Type: Original
Date: May 11, 2012

Bill Summary: This proposal creates an income tax deduction and changes the laws regarding legal tender.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	(Unknown - Could exceed \$363,527)	(Unknown - Could exceed \$369,365)	(Unknown - Could exceed \$373,034)
Total Estimated Net Effect on General Revenue Fund	(Unknown - Could exceed \$363,527)	(Unknown - Could exceed \$369,365)	(Unknown - Could exceed \$373,034)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>Other</u> State Funds			

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	5 FTE	5 FTE	5 FTE
Total Estimated Net Effect on FTE	5 FTE	5 FTE	5 FTE

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of State Courts Administrator** state this proposal has no fiscal impact on the Courts.

Officials from the **Department of Labor and Industrial Relations, Department of Economic Development, Department of Insurance, Financial Institutions and Professional Registration, State Tax Commission, and Office of State Treasurer** state this proposal will have no fiscal impact on their respective agencies.

Officials from the **Joint Committee on Administrative Rules (JCAR)** stated this proposed legislation is not anticipated to cause a fiscal impact to JCAR beyond its current appropriation.

According to officials from the **Office of Secretary of State (SOS)**, many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the proposal. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal with core funding. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** state this proposed legislation should not result in additional costs or savings to BAP.

BAP states this proposal could result in an unknown decrease to general and total state revenues..

Officials from the **Department of Elementary and Secondary Education** assume the tax subsidies would reduce the state's tax revenues and decrease the amount of money available for public schools and all public school students.

Officials from the **Department of Revenue** assume the tax deduction and sales tax exemption may result in an unknown amount of reduced total state revenue.

ASSUMPTION (continued)

Officials from the **Office of Secretary of State (SOS)** assume that to create and implement an entirely new regulatory structure for a to-be-determined and currently unregulated component of the financial services industry, the Missouri Securities Division would need to add, at a minimum, five new staff members and create and implement a new electronic registration system. The estimated cost for these additions would amount to, at a minimum, approximately \$370,000 per year in new general revenue expenses.

SOS states estimated cost of this proposal is based on prior expenses incurred in implementing new regulatory structures and operations.

This portion of the proposal could decrease Total State Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
GENERAL REVENUE			
<u>Cost - Secretary of State - Administrative Costs (\$408.010)</u>			
Personal Services - 5 FTE	(\$197,917)	(\$239,875)	(\$242,274)
Fringe Benefits	(\$104,777)	(\$126,990)	(\$128,260)
Equipment and Expense	<u>(\$60,833)</u>	<u>(\$2,500)</u>	<u>(\$2,500)</u>
Total administrative costs	(\$363,527)	(\$369,365)	(\$373,034)
<u>Loss - Individual and corporate income taxes and sales and use taxes due to exemption for gold and silver used as legal tender (\$143.111)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(Unknown - Could exceed \$363,527)</u>	<u>(Unknown - Could exceed \$369,365)</u>	<u>(Unknown - Could exceed \$373,034)</u>
ESTIMATED NET FTE EFFECT ON GENERAL REVENUE	5 FTE	5 FTE	5 FTE

FISCAL IMPACT - Local Government

FY 2013
(10 Mo.)

FY 2014

FY 2015

LOCAL POLITICAL SUBDIVISIONS

Loss - Local sales and use taxes due to exemption for gold and silver used as legal tender (§143.111)

(Unknown)

(Unknown)

(Unknown)

**ESTIMATED NET EFFECT ON
LOCAL POLITICAL SUBDIVISIONS**

(Unknown)

(Unknown)

(Unknown)⁼

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This proposal creates an income tax deduction and changes the laws regarding legal tender.

§143.111 - MISSOURI INCOME TAX DEDUCTION

This section creates a deduction from an individual taxpayer's Missouri adjusted gross income for capital gains income from the exchange of gold or silver for another form of legal tender.

§408.010 - LEGAL TENDER

This section of the proposal declares that gold and silver issued by the United States government is legal tender in Missouri. The proposal exempts any exchange of gold and silver coins for another form of legal tender from state and local sales and use taxes and individual and corporate state income taxes. The proposed legislation prohibits the government from compelling a person to make payments in any particular form of legal tender, except for payments of governmentally assessed taxes, fees, duties, imposts, dues, penalties, or sanctions. The proposal prohibits exchanging gold and silver for legal tender that is more than eighty percent of the value.

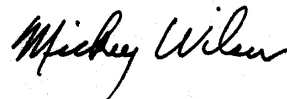
Any nonbank depository operating under the provisions of this section shall be subject to such rules and regulations as the Secretary of State requires.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

LMD:LR:OD

SOURCES OF INFORMATION

Office of Administration
 Division of Budget and Planning
Office of State Courts Administrator
Department of Elementary and Secondary Education
Department of Economic Development
 Division of Business and Community Services
Department of Insurance, Financial Institutions and Professional Registration
Department of Revenue
Joint Committee on Administrative Rules
Office of Secretary of State
 Administrative Rules Division
 Securities Division
Office of State Treasurer
State Tax Commission
Department of Labor and Industrial Relations



Mickey Wilson, CPA
Director
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